

WOOD FOR THE TREES? CARBON FORESTRY SET TO BECOME LESS EXOTIC

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Looking to establish or invest in carbon forestry? Then you should understand the Government's ETS proposals, which could significantly impact your project or present new opportunities if you want to get involved in indigenous carbon forestry.

What is being proposed?

From 1 January 2023 landowners can register for the new 'permanent post-1989 forest category' (**new category**) under the New Zealand Emissions Trading Scheme (ETS). Under the new category landowners who own permanent forest can earn and then sell or use tradeable units (NZUs) based on how much carbon their forest sequesters.

Now there is a proposal that would mean that forests made up of exotic species like *Pinus radiata* would not be eligible to be registered as a permanent forest under the new category. This proposal would not affect landowners already registered under the Permanent Forest Sink Initiative (PFSI) that are transitioning to the ETS. Registration in the PFSI is closed – but registered landowners can still earn NZU's under the ETS permanent forest category, even with exotic tree species.

The reason for the proposal

The new category presently permits registration of any tree species including exotic species such as *Pinus radiata*. The inclusion of quick growing exotics, coupled with the high price of carbon has stimulated rapid expansion of permanent exotic forestry in some areas and raised concerns about the effects of this on the environment and communities. There is also concern that too much permanent exotic forestry also risks an oversupply of NZUs. If there are too many NZUs, the price comes down which reduces the efficacy of the ETS in reducing emissions.

To address these concerns the Government has proposed to remove exotic species from the new category.

WHAT DOES THIS MEAN FOR CARBON FORESTRY?

Pinus radiata and other exotics are popular because they grow quickly and are easy to establish. Removing them from the new category may make the planting of

permanent exotic forests far less attractive and likely pointless if the purpose of planting is to register under the ETS.

Long rotation option in proposal

MPI are also considering a 'long rotation averaging accounting forest category' within the ETS. This could provide opportunities for forest owners whose land is not suited to harvesting *Pinus radiata* at typical ages for harvest. This proposal responds to concerns that the use of one "average" age for *Pinus radiata* does not recognise higher levels of carbon stored in *Pinus radiata* forests with longer rotation lengths.

Other policy changes impacting carbon forestry

There are other changes proposed for Government forestry and climate change policy this year that will impact carbon forestry. These include:

1. National direction for forests;
2. NZ ETS Yield Table Updates;
3. Emissions Reduction Plan (ERP) consultation;
4. Overseas Investment Act 2005 Forestry Review; and
5. Forestry and Wood Processing Industry Transformation Plan.
6. The outcome of He Waka Eke Noa and the inclusion of agriculture into the ETS.

PROMOTING INDIGENOUS CARBON FORESTRY

The proposals discussed in this article intend to create opportunities for money making projects that improve New Zealand's biodiversity and support native ecosystems. However, the costs of establishing and maintaining indigenous forests, particularly on low productivity land, are high and there are currently limited financial returns.

The Government is considering ways to overcome the present barriers to planting native forest and make indigenous afforestation more attractive. This will include a consideration of how viable native forest is as a long-term land use. It will also likely look at the potential for encouraging indigenous forests by lowering the costs of establishing and regenerating native forests. Options for doing this may include:

- Looking at ways to lower the costs of starting native forests through innovation, propagation techniques and economies of scale.

- Giving advice and doing research on operational, scientific and innovative solutions.
- Improving understanding of management interventions that create measurable increases in carbon stock in existing native forests.
- Looking at eligibility criteria for shrub and scrub land as post-1989 forest land under the ETS.
- Investigating the barriers in the workforce, including the use of both volunteer and professional planting services.
- Aligning this work with pest management and the valuing of biodiversity.

For more information on these proposals visit:

<https://www.mpi.govt.nz/consultations/managing-exotic-afforestation-incentives/>

NAVIGATING THE ETS

So right now, it may not make financial sense to establish permanent native forest, but it could very soon. The new rules discourage permanent exotic forestry. Yet the Government is signalling an increasingly favourable environment for indigenous afforestation in the next year and beyond.

If you are considering permanent forestry on your property or investing in carbon forestry, get in touch with our experienced resource management and agri-business teams for a chat about what the changes may mean for your plans.

HAVE YOUR SAY

Public consultation is open from now until 22 April 2022, anyone can submit their ideas and feedback at: <https://www.mpi.govt.nz/consultations/managing-exotic-afforestation-incentives>

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